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**WATERWORKS DISTRICT NO. 4
OF ST. MARTIN PARISH, LOUISIANA**

**COMPONENT UNIT OF ST. MARTIN PARISH GOV'T
PROPRIETARY FUND-ENTERPRISE FUND
FINANCIAL STATEMENTS
As of and for the Period Ended
June 30, 2003**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2.11.04

**WATERWORKS DISTRICT NO. 4
OF ST. MARTIN PARISH, LOUISIANA**

**COMPONENT UNIT OF ST. MARTIN PARISH GOV'T
PROPRIETARY FUND-ENTERPRISE FUND**

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MARAIST & MARAIST

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INDEPENDENT AUDITORS' REPORT

To the Board Members of the
Waterworks District No.4 of
St. Martin Parish, Louisiana
Catahoula, Louisiana

We have audited the accompanying balance sheet of the Waterworks District No. 4 of St. Martin Parish, Louisiana (a component unit of the St. Martin Parish Government) as of June 30, 2003 and the related statements of revenues, expenses and changes in retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Waterworks District's management. Our responsibility is to express an opinion on these component unit financial statements based on our audit.

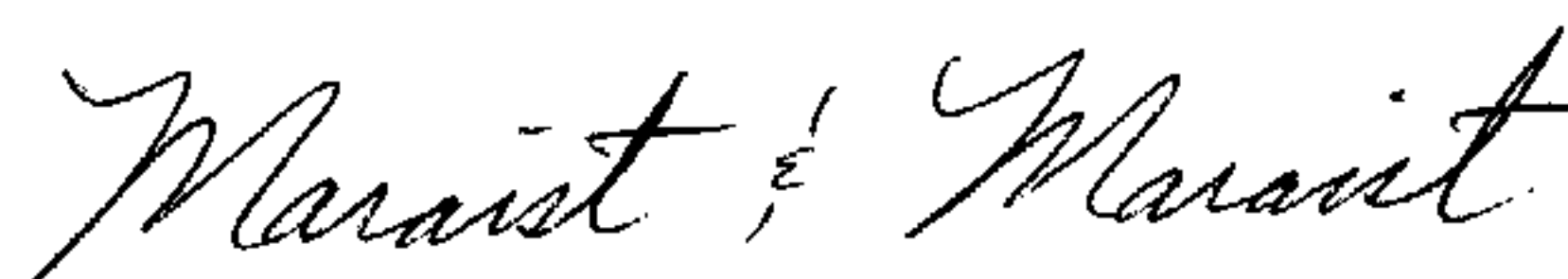
We conducted our audit in accordance with *generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the component unit financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall component unit financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of the Waterworks District No.4 of St. Martin Parish, Louisiana as of June 30, 2003, and the results of its operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 19, 2003 on our consideration of the Waterworks District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

To the Board Members of the
Waterworks District No. 4 of
St. Martin Parish, Louisiana

Our audit was performed for the purpose of forming an opinion on the component unit financial statements of the Waterworks District No. 4 of St. Martin Parish, taken as a whole. The accompanying schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the financial information listed as "Supplemental Information" in the table of contents, is presented for purposes of additional analysis and is not a required part of the component unit financial statements. Such information has been subjected to the auditing procedures applied in the audit of the component unit financial statements and, in our opinion, is fairly presented in all material respects in relation to the component unit financial statements taken as a whole.



MARAIST & MARAIST
CERTIFIED PUBLIC ACCOUNTANTS

September 19, 2003

**WATERWORKS DISTRICT NO. 4
OF ST. MARTIN PARISH, LOUISIANA**

**COMPONENT UNIT OF ST. MARTIN PARISH GOV'T
PROPRIETARY FUND-ENTERPRISE FUND
Balance Sheet**

Exhibit A

June 30, 2003

<u>ASSETS</u>	<u>6/30/03</u>
Current Assets:	
Cash and cash equivalents	\$ 50,681
Accounts receivable	23,662
Grant receivable	51,225
Prepaid expenses	8,071
Insurance deposits	1,138
Total current assets	<u>\$ 134,777</u>
Noncurrent Assets:	
Restricted cash and cash equivalents	23,810
Capital Assets, at cost, net of accumulated depreciation of \$504,953 at 6/30/03	<u>2,714,995</u>
TOTAL ASSETS	<u>\$ 2,873,582</u>
<u>LIABILITIES AND RETAINED EARNINGS</u>	
Current Liabilities(payable from current assets):	
Accounts payable	\$ 9,463
Sales tax payable	462
Accrued salaries payable	5,850
Payroll taxes payable	17
Total current liabilities	<u>\$ 15,792</u>
Noncurrent Liabilities(payable from restricted assets):	
Contracts payable	\$ 51,225
Customer deposits	30,993
Accrued interest payable	78,808
Notes payable-RDA	2,295,000
Total noncurrent liabilities	<u>\$ 2,456,026</u>
TOTAL LIABILITIES	<u>\$ 2,471,818</u>
Retained Earnings:	
Reserved for debt service, depreciation, contingency	\$ 23,810
Unreserved/Undesignated	377,954
TOTAL RETAINED EARNINGS	<u>\$ 401,764</u>
TOTAL LIABILITIES AND RETAINED EARNINGS	<u>\$ 2,873,582</u>

The accompanying notes are an integral part of these financial statements.

**WATERWORKS DISTRICT NO. 4
OF ST. MARTIN PARISH, LOUISIANA**

**COMPONENT UNIT OF ST. MARTIN PARISH GOV'T
PROPRIETARY FUND-ENTERPRISE FUND**

Statement of Revenues, Expense and

Changes in Retained Earnings

For Period Ended June 30, 2003

Exhibit B

OPERATING REVENUES:

Water sales	\$ 176,578
Installation/connection charges	9,431
Penalties & late charges	7,408
Sewage & trash charges	2,046
Miscellaneous revenues	201

TOTAL OPERATING REVENUES	\$ 195,664
---------------------------------	-------------------

OPERATING EXPENSE:

Salaries	\$ 59,100
Payroll taxes	4,066
Insurance expense	13,688
Repair and maintenance	36,046
Depreciation expense	30,594
Chemicals and lime	21,273
Professional fees	51,022
Supplies	9,096
Telephone	1,819
Utilities	13,003
Safe water program & water tests	4,069
Office expense	5,358
Automotive expense	3,139
Dues and subscriptions	150
Miscellaneous expenses	2,471

TOTAL OPERATING EXPENSES	\$ 254,894
---------------------------------	-------------------

OPERATING INCOME/(LOSS)	\$ (59,230)
--------------------------------	--------------------

NONOPERATING REVENUES/(EXPENSES)

Grants-capital improvement	\$ 745,614
Interest income	3
Interest expense	(111,199)

TOTAL NONOPERATING REVENUES/EXPENSES	\$ 634,418
---	-------------------

NET INCOME/(LOSS)	\$ 575,188
--------------------------	-------------------

CONTRIBUTED CAPITAL RECLASSIFICATION	(159,124)
---	------------------

RETAINED EARNINGS/(DEFICIT), BEGINNING	(14,300)
---	-----------------

RETAINED EARNINGS/(DEFICIT), ENDING	\$ 401,764
--	-------------------

The accompanying notes are an integral part of these financial statements.

**WATERWORKS DISTRICT NO. 4
OF ST. MARTIN PARISH, LOUISIANA**

**COMPONENT UNIT OF ST. MARTIN PARISH GOV'T
PROPRIETARY FUND-ENTERPRISE FUND**

**Statement of Cash Flows
Period Ended June 30, 2003**

Exhibit C

CASH FLOWS FROM OPERATING ACTIVITIES:

Operating income	\$ (59,230)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	30,594
Changes in:	
Accounts receivable	(6,927)
Prepaid expenses	(2,867)
Accounts payable	6,703
Accrued expenses	5,538
Total Adjustments	33,041
Net Cash Provided(Used) by Operating Activities	\$ (26,189)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Change in customers' meter deposits	\$ 2,713
-------------------------------------	----------

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Reduction in contracts payable	\$ (86,507)
Capital grant proceeds received	694,389
Proceeds from interim debt issued	212,009
Interest paid on bonds and notes payable	(32,391)
Net Cash Provided(Used) by Capital and Related Financing Activities	\$ 787,500

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of fixed assets	\$ (885,101)
Interest received from investments	3
Net Cash Provided(Used) by Investing Activities	(885,098)

NET INCREASE IN CASH AND CASH EQUIVALENTS

\$ (121,074)

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR

195,565

CASH AND CASH EQUIVALENTS, END OF YEAR

\$ 74,491

CASH AND CASH EQUIVALENTS SHOWN ON BALANCE SHEET AS:

Current assets	
Cash	\$ 50,681
Restricted assets	
Cash	23,810
Total Cash and Cash Equivalents	\$ 74,491

The accompanying notes are an integral part of these financial statements.

**WATERWORKS DISTRICT NO. 4
OF ST. MARTIN PARISH, LOUISIANA**

**COMPONENT UNIT OF ST. MARTIN PARISH GOV'T
PROPRIETARY FUND-ENTERPRISE FUND
FINANCIAL STATEMENTS**

Notes to Financial Statements

June 30, 2003

**(1) GENERAL STATEMENT & SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES**

General Statement

The Waterworks District No. 4 of St. Martin Parish, Louisiana is a political subdivision of the St. Martin Parish Government. The waterworks district was established in 1999 as authorized by Chapter 9 of Title 33 of the Louisiana Revised Statutes of 1950, to acquire and make improvements to the Catahoula Water System, in order to provide the rural areas of Catahoula and Isle Labbe with a quality water supply and distribution system to supply rural residents with potable drinking water for domestic, livestock, garden, industrial and commercial purposes. The basic operations of the Waterworks District are financed by charges to customers based upon water consumption. The Waterworks District is governed by a board of control which is appointed by the parish government. The members of the board of control serve without compensation.

Summary of Significant Accounting Policies

The accounting and reporting policies of the Waterworks District conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the Louisiana Municipal Audit and Accounting Guide, and to the industry audit guide, Audits of State and Local Governmental Units.

The following significant accounting policies were applied in the preparation of the accompanying financial statements:

(A) Reporting Entity

The Governmental Accounting Standards Board (GASB) is the accepted standard setting authority for generally accepted accounting principles as applied to governmental entities. In June 1991, the GASB issued Statement Number 14-"The Financial Reporting Entity." This Statement established criteria for determining which component units of government should be considered part of the primary government for financial reporting purposes.

The basic criteria for determining a component unit is accountability. The St. Martin Parish Government appoints a majority of the Board of Commissioner of the District and, therefore, has the ability to impose its will upon the District. The District is also financially dependent upon the Parish Government. Therefore, the District is considered a component unit of the Parish Government, the primary governing body of the parish and the governmental body with oversight responsibility.

(B)Basis of Presentation

The accompanying financial statements of the Waterworks District No. 4 of St. Martin Parish have been prepared in conformity with generally accepted accounting principles (GAAP) *as applied to governmental units*. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

(C)Fund Accounting

The financial transactions of the Waterworks District are reported in an individual fund. A fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses.

The following fund type is used by the Waterworks District:

Proprietary Fund

The focus of proprietary fund measurement is upon *determination of operating income, changes in net assets, financial position, and cash flows*. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the Waterworks District's single proprietary fund:

Enterprise Fund-Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

(D)Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual Basis

The business-type activities in the proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

(E)Financial Statement Amounts

1. Cash and Cash Equivalents:

For purposes of the statements of cash flows, the Waterworks District No. 4 considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash equivalents on deposit with banks are fully secured through the pledge of bank-owned securities or federal deposit insurance. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

The carrying amount of cash and cash equivalents are displayed on the balance sheet as follows:

	<u>Book Balance</u>
Demand Deposits	\$ 74,390 =====

Deposits with banks are categorized to give an indication of the level of risk at June 30, 2003 as follows:

Federal Insurance(FDIC)	\$ 74,947 =====
-------------------------	--------------------

2. Accounts Receivable and Uncollectible Charges

The Waterworks District No. 4 does not maintain an allowance for estimated uncollectible accounts. When an account is determined uncollectible it is deducted from the accounts receivable and charged against customer deposits initially, and the remaining balance charged to uncollectible water revenues. Due to the small monetary amounts involved, and the availability of customer deposits to offset

against any unpaid water bills, this method yields results which are not materially different from the allowance method of accounting for uncollectible receivables.

3. Capital Assets

Capital assets purchased or acquired with an original cost of \$300 or more are reported at historical costs or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20-30 years
Water System	50 years
Furniture, Fixtures & Equipment	5-10 years
Improvements	20-25 years

The cost of such assets at June 30, 2003, and the related depreciation calculated on the straight-line basis over the estimated useful lives of the assets is as follows:

Land and buildings	\$ 63,363
Furniture, fixtures & equipment	33,708
Water Distribution System	436,682
Water System Additions/Improvements	500,742
Construction in Progress	2,185,453

Subtotal	\$ 3,219,948
Less Accumulated Depreciation	504,953

Total	\$ 2,714,995
	=====

Depreciation expense was \$30,594 for fiscal year ended June 30, 2003.

4. Restricted Assets

Certain assets of the Waterworks District No. 4 are restricted for construction funded through long-term debt and federal grant revenues. Also, the excess of assets over certain liabilities restricted for the debt service on revenue bonds are included in the restricted asset total.

5. Notes Payable

Pursuant to funding provided by the U.S. Department of Agriculture's Rural Development Administration, funding in the aggregate amount of \$2,295,000 of loan proceeds, and \$1,182,000 of grant proceeds were made available to the newly created Waterworks District No. 4 of St. Martin Parish, Louisiana, in order to

acquire the net assets of the Catahoula Water System, Inc. As of June 30, 2003, title to all assets of the water system had been acquired by the water district, and all existing liabilities and loan balances of the water system had been liquidated by the water district.

A summary of the outstanding interim loan proceeds owed by the Waterworks District No. 4 at June 30, 2003 is as follows:

	Present Balance	Current Portion
	-----	-----
U.S. Department of Agriculture Rural Development Loan	\$2,295,000	\$2,295,000
	=====	=====

The annual requirements to amortize all notes outstanding at June 30, 2003, including interest are as follows:

Fiscal Year End	Total
6/04	\$189,613
6/05	126,031
6/06	126,031
6/07	126,031
6/08	126,031

Total	\$693,737
	=====

6. Reservations of Retained Earnings

Some portions of retained earnings are reserved to indicate that a portion of retained earnings is legally restricted to a specific future use and is not available for appropriation or expenses.

7. Revenues/Operating Expenses

All proprietary fund revenues are accrued. Subsidies and grants to the proprietary fund which finance capital or current operations are reported as non-operating revenue based on GASBS No. 33. In applying GASBS No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenues by the recipient.

Operating expenses are recognized when incurred.

(2) RETIREMENT PLANS

All employees of the Waterworks District are members of the Social Security Retirement System. No supplemental retirement or pension plans are maintained or provided by the Waterworks District.

(3) COMPENSATED ABSENCES

The Waterworks District does not grant compensated absences to any of its employees, either in the form of sick leave or vacation leave.

(4) SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards is composed exclusively of federal loan balances subject to continuing compliance requirements, and hence includible as federal awards expended in accordance with OMB Circular A-133 Section 205(b).

(5) RISK MANAGEMENT

The Waterworks District is exposed to risks of loss in the areas of health care, workers' compensation, general and auto liability, and property hazards. These risks are handled by purchasing commercial insurance. There have been no significant reductions in these insurance coverages during the current fiscal year, nor have settlements exceeded insurance coverage for the current or prior two fiscal years.

(6) CONTINGENT LIABILITIES

The Waterworks District has no contingent liability exposure of which management is aware as of 6/30/03.

(7) ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual costs could differ from those estimates.

**WATERWORKS DISTRICT NO. 4
OF ST. MARTIN PARISH, LOUISIANA**

**COMPONENT UNIT OF ST. MARTIN PARISH GOV'T
PROPRIETARY FUND-ENTERPRISE FUND**

Schedule of Insurance in Force

June 30, 2003

Schedule 1

The Corporation was protected by insurance as follows:

Fire and Extended Coverage (Subject to 90% co-insurance) on water treatment plant, tower, tank, service pump and buildings, with policy expiration date of April 12, 2003.

Fire hydrants

Water pump and controls

Well controls

Total \$ 584,981

Flood Insurance-Expiration date of November 26, 2003.

Building \$ 61,300

Contents \$ 5,900

Comprehensive general and automobile liability as follows, with policy expiration date of August 14, 2003:

Bodily Injury:

Each person \$100,000

Each accident \$300,000

Property Damage \$ 50,000

Standard Workmen's compensation with limits of \$100,000/\$500,000/\$100,000

Employee's Fidelity Bond-Renewable December 15, 2003:

Inclusive of all employees \$127,234

**WATERWORKS DISTRICT NO. 4
OF ST. MARTIN PARISH, LOUISIANA**

**COMPONENT UNIT OF ST. MARTIN PARISH GOV'T
PROPRIETARY FUND-ENTERPRISE FUND
Schedule of Officers/Board Members
June 30, 2003**

Schedule 2

**Term
Expires**

Paul Champagne-President	2004
Terry Guidry-Vice President	2004
Camille Blanchard-Secretary/Treasurer	2004
Otis Courville-Board Member	2004
Dallas Melancon-Board Member	2004

**WATERWORKS DISTRICT NO. 4
OF ST. MARTIN PARISH, LOUISIANA**

**COMPONENT UNIT OF ST. MARTIN PARISH GOV'T
PROPRIETARY FUND-ENTERPRISE FUND
OPERATING DATA**

June 30, 2003

Schedule 3

At June 30, 2003 total customers on the water system totaled 916, with 51 of that number being commercial users and 865 being residential users. Two customers are classified as schools. Of the 51 commercial users, 4 had meters larger than the standard size 3 / 4" residential meter.

The current water rates for the Catahoula Water System, Inc. are as follows:

Residential	\$ 13.50 per 2,000 Gal. + \$2.85 per add'l. 1,000 Gal.
Commercial	\$ 40.00 per 5,000 Gal. + \$2.85 per add'l. 1,000 Gal.

**WATERWORKS DISTRICT NO. 4
OF ST. MARTIN PARISH, LOUISIANA**

**COMPONENT UNIT OF ST. MARTIN PARISH GOV'T
PROPRIETARY FUND-ENTERPRISE FUND
Comparative Balance Sheets
June 30, 2003 and 2002**

Schedule 4

	<u>6/30/03</u>	<u>6/30/02</u>
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 50,681	36,737
Accounts receivable	23,662	16,735
Grant receivable	51,225	-0-
Prepaid expenses	8,071	5,204
Insurance deposits	1,138	1,138
	<hr/>	<hr/>
Total current assets	\$ 134,777	\$ 59,814
	<hr/>	<hr/>
Noncurrent Assets:		
Restricted cash and cash equivalents	\$ 23,810	\$ 158,828
	<hr/>	<hr/>
Capital Assets, at cost, net of accumulated depreciation of \$504,953 at 6/30/03 and \$474,359 at 6/30/02	\$ 2,714,995	\$ 1,860,488
	<hr/>	<hr/>
TOTAL ASSETS	\$ 2,873,582	\$ 2,079,130
	<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements.

**WATERWORKS DISTRICT NO. 4
OF ST. MARTIN PARISH, LOUISIANA**

**COMPONENT UNIT OF ST. MARTIN PARISH GOV'T
PROPRIETARY FUND-ENTERPRISE FUND**

**Comparative Balance Sheets
June 30, 2003 and 2002**

Schedule 4

6/30/03

6/30/02

LIABILITIES AND RETAINED EARNINGS

Current Liabilities (payable from current assets):

Accounts payable	\$ 9,463	\$ 2,760
Accrued salaries payable	5,850	-0-
Sales tax payable	462	576
Payroll taxes payable	17	215
	<hr/>	<hr/>
Total current liabilities	\$ 15,792	\$ 3,551

Noncurrent Liabilities (payable from restricted assets):

Contracts payable	\$ 51,225	\$ 137,732
Customer deposits	30,993	28,280
Accrued interest payable	78,808	-0-
Notes payable-St. Martin Bank	-0-	1,737,991
Notes payable-Louisiana Public Finance Authority	-0-	345,000
Notes payable-Rural Development Administration	2,295,000	-0-
	<hr/>	<hr/>
Total noncurrent liabilities	\$ 2,456,026	\$ 2,249,003

TOTAL LIABILITIES

\$ 2,471,818	\$ 2,252,554
<hr/>	<hr/>

Retained Earnings:

Contributed capital/(deficit)	\$ -0-	\$ (159,124)
Retained earnings-reserved	23,810	(14,300)
Retained earnings-unreserved/undesignated	377,954	-0-
	<hr/>	<hr/>
TOTAL RETAINED EARNINGS	\$ 401,764	\$ (173,424)

TOTAL LIABILITIES AND RETAINED EARNINGS

\$ 2,873,582	\$ 2,079,130
<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements.

**WATERWORKS DISTRICT NO. 4
OF ST. MARTIN PARISH, LOUISIANA**

**COMPONENT UNIT OF ST. MARTIN PARISH GOV'T
PROPRIETARY FUND-ENTERPRISE FUND
Statements of Revenues, Expenses and
Changes in Retained Earnings/(Deficit)
Periods Ended June 30, 2003 and 2002**

Schedule 5

	<u>FYE 6/30/03</u>	<u>FYE 6/30/02</u>
<u>OPERATING REVENUES:</u>		
Water sales	\$ 176,578	\$ 66,942
Installation/connection charges	9,431	2,875
Penalties & late charges	7,408	2,487
Sewerage & trash charges	2,046	-0-
Miscellaneous revenues	201	918
	<hr/>	<hr/>
TOTAL OPERATING REVENUES	\$ 195,664	\$ 73,222
	<hr/>	<hr/>
<u>OPERATING EXPENSES:</u>		
Salaries	\$ 59,100	\$ 18,600
Payroll taxes	4,066	1,428
Insurance expense	13,688	6,243
Repair and maintenance	36,046	7,647
Depreciation expense	30,594	12,522
Chemicals and lime	21,273	9,145
Professional fees	51,022	14,862
Supplies	9,096	5,081
Telephone	1,819	895
Utilities	13,003	7,203
Safe water program	4,069	1,245
Office expense	5,358	1,879
Automotive expense	3,139	213
Dues and subscriptions	150	150
Miscellaneous expenses	2,471	409
	<hr/>	<hr/>
TOTAL OPERATING EXPENSES	\$ 254,894	\$87,522
	<hr/>	<hr/>
OPERATING INCOME/(LOSS)	\$ (59,230)	\$ (14,300)
	<hr/>	<hr/>
<u>NONOPERATING REVENUES/(EXPENSES)</u>		
Grants received	\$ 745,614	\$ -0-
Interest income	3	-0-
Interest expense	(111,199)	-0-
	<hr/>	<hr/>
TOTAL NONOPERATING REVENUES/ (EXPENSES)	\$ 634,418	\$ -0-
	<hr/>	<hr/>
NET INCOME/(LOSS)	\$ 575,188	\$ (14,300)
	<hr/>	<hr/>
Amounts transferred to/from contributed capital	(159,124)	-0-
	<hr/>	<hr/>
Increase/(decrease) in retained earnings	\$ 416,064	\$ (14,300)

RETAINED EARNINGS/(DEFICIT), BEGINNING	<u>(14,300)</u>	<u>-0-</u>
RETAINED EARNINGS/(DEFICIT), ENDING	<u>\$ 401,764</u>	<u>\$ (14,300)</u>

The accompanying notes are an integral part of these financial statements.

**WATERWORKS DISTRICT NO. 4
OF ST. MARTIN PARISH, LOUISIANA**

**COMPONENT UNIT OF ST. MARTIN PARISH GOV'T
PROPRIETARY FUND-ENTERPRISE FUND**

**Statement of Cash Flows
Periods Ended June 30, 2003 and 2002**

Schedule 6

	<u>FYE 6/30/03</u>	<u>FYE 6/30/02</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income	\$ (59,230)	\$ (14,300)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	30,594	12,522
Changes in:		
Accounts receivable	(6,927)	369
Prepaid expenses	(2,867)	(2,628)
Accounts payable	6,703	2,760
Accrued expenses	5,538	184
Total adjustments	<u>\$ 33,041</u>	<u>\$ 13,207</u>
Net cash provided/(used) by operating activities	<u>\$ (26,189)</u>	<u>\$ (1,093)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Change in customers' meter deposits	<u>\$ 2,713</u>	<u>\$ 1,075</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Reduction/(increase) in contracts payable	\$ 86,507	\$ 137,732
Capital grant proceeds/transfers received	694,389	43,929
Proceeds from interim debt issued	212,009	1,326,169
Interest paid on bonds and notes payable	<u>32,391</u>	<u>-0-</u>
Net cash provided by capital and related financing activities	<u>\$ 787,500</u>	<u>\$ 1,507,830</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of land, buildings, & equipment	\$ (885,102)	\$ (1,324,727)
Interest received from investments	<u>3</u>	<u>-0-</u>
Net cash used by investing activities	<u>\$ (885,099)</u>	<u>\$ (1,324,727)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (121,075)	\$ 183,085
CASH AND CASH EQUIVALENTS-BEGINNING OF YEAR	<u>195,565</u>	<u>12,480</u>
CASH AND CASH EQUIVALENTS-END OF YEAR	<u><u>\$ 74,490</u></u>	<u><u>\$ 195,565</u></u>

The accompanying notes are an integral part of these financial statements.

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SOCIETY OF
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board Members of the
Waterworks District No. 4 of
St. Martin Parish, Louisiana
Catahoula, Louisiana

We have audited the financial statements of the Waterworks District No. 4 of St. Martin Parish, Louisiana, as of June 30, 2003 and for the year then ended, and have issued our report thereon dated September 19, 2003. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Waterworks District No. 4 of St. Martin Parish's financial statements are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

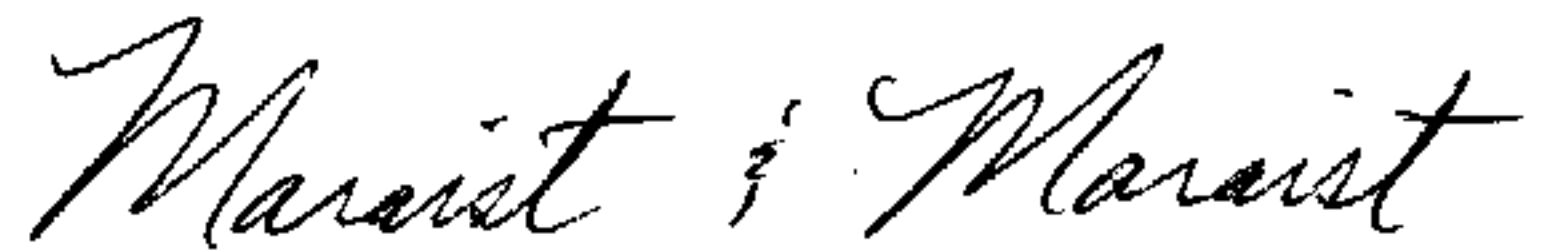
In planning and performing our audit, we considered the Waterworks District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Waterworks District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable

To the Board Members of the
Waterworks District No. 4 of
St. Martin Parish, Louisiana

condition is described in the accompanying schedule of findings, questioned costs, and management's corrective action plans as item 03/1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition identified above is a material weakness.

This report is intended solely for the information and use of the management, board members, others within the organization, federal awarding agencies and pass-through entities of the Waterworks District No. 4 of St. Martin Parish, Louisiana, and is not intended to be and should not be used by anyone other than these specified parties.


MARAIST & MARAIST
CERTIFIED PUBLIC ACCOUNTANTS

September 19, 2003

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board Members of the
Waterworks District No. 4 of
St. Martin Parish, Louisiana
Catahoula, Louisiana

Compliance

We have audited the compliance of the Waterworks District No. 4 of St. Martin Parish, Louisiana with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2003. The Waterworks District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings, questioned costs, and management's corrective action plan. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Waterworks District's management. Our responsibility is to express an opinion on the Waterworks District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the provisions of Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Nonprofit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Waterworks District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Waterworks District's compliance with those requirements.

In our opinion, the Waterworks District No. 4 of St. Martin Parish, Louisiana complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003.

To the Board Members of the
Waterworks District No. 4 of
St. Martin Parish, Louisiana

Internal Control Over Compliance

The management of the Waterworks District No. 4 of St. Martin Parish, Louisiana is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Waterworks District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management, board members, others within the organization, federal awarding agencies and pass-through entities of the Waterworks District No. 4 of St. Martin Parish, Louisiana, and is not intended to be and should not be used by anyone other than these specified parties.

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CERTIFIED PUBLIC ACCOUNTANTS

September 19, 2003

**WATERWORKS DISTRICT NO. 4
OF ST. MARTIN PARISH, LOUISIANA**

**COMPONENT UNIT OF ST. MARTIN PARISH GOV'T
PROPRIETARY FUND-ENTERPRISE FUND
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2003**

FEDERAL GRANTOR/PASS-THRU GRANTOR/PROGRAM OR <u>CLUSTER TITLE</u>	FEDERAL CFDA <u>NUMBER</u>	FEDERAL <u>EXPENDITURES</u>
United States Dept. of Agriculture-Rural Development		
Water and Waste Disposal Systems for Rural Communities*	10.418	<u>\$957,623</u>

*Denotes major federal financial assistance program.

**WATERWORKS DISTRICT NO. 4
OF ST. MARTIN PARISH, LOUISIANA**

**COMPONENT UNIT OF ST. MARTIN PARISH GOV'T
PROPRIETARY FUND-ENTERPRISE FUND
Schedule of Findings, Questioned Costs
And Management's Corrective Action Plan
Year Ended June 30, 2003**

Part I: Summary of Auditor's Results:

1. An unqualified report was issued on the financial statements.
2. A reportable condition in internal control was disclosed by the audit of the financial statements.
3. Material noncompliance was not disclosed.
4. No reportable conditions in internal control over the major program were disclosed by the audit of the financial statements.
5. An unqualified opinion was issued on compliance for the major program.
6. The audit disclosed no audit findings required to be reported under Section 510(a) of Circular A-133.
7. The major program was:

United States Department of Agriculture-Rural Development: Water and Waste Disposal Systems for Rural Communities.
8. The dollar threshold used to distinguish between Type A and Type B programs, as described in Section 520 (b) of Circular A-133 was \$300,000.
9. The auditee did not qualify as a low-risk auditee under Section 530 of Circular A-133.

**WATERWORKS DISTRICT NO. 4
OF ST. MARTIN PARISH, LOUISIANA**

**COMPONENT UNIT OF ST. MARTIN PARISH GOV'T
PROPRIETARY FUND-ENTERPRISE FUND
Schedule of Findings, Questioned Costs
And Management's Corrective Action Plan (Continued)
Year Ended June 30, 2003**

Part II: Findings which are required to be reported in accordance with generally accepted government auditing standards:

03/1-Inadequate Segregation of Accounting Duties

Finding:

Due to the small number of employees, the Waterworks District No. 4 did not have adequate segregation of functions within the accounting system.

Management's Corrective Action Plan:

The Waterworks District No. 4 has determined that it is not cost effective to completely segregate accounting functions. However, management will periodically review the financial records to insure that their integrity is maintained. No management plan beyond this periodic review is considered necessary.

Part III: Findings and questioned costs for Federal awards which include audit findings as defined in Section 510 (a) of Circular A-133:

There are no findings that are required to be reported under the above guidance.

Part IV: Management Letter Items:

There were no management letter items at June 30, 2003.

**WATERWORKS DISTRICT NO. 4
OF ST. MARTIN PARISH, LOUISIANA**

**COMPONENT UNIT OF ST. MARTIN PARISH GOV'T
PROPRIETARY FUND-ENTERPRISE FUND
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2002**

Part I: Findings which are required to be reported in accordance with generally accepted government auditing standards.

Section I: Internal Control and Compliance Material to the Financial Statements

02/1 Inadequate Segregation of Accounting Functions

Finding: The Waterworks District No. 4 did not have a completely adequate segregation of functions within the accounting system.

Status: Unresolved (See Item 03/1)

Section II: Internal Control and Compliance Material to Federal Awards

There were no findings mentioned under this section at June 30, 2002

Section III: Management Letter

There were no management letter items at June 30, 2002.